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News from the West Contra Costa Unified School District

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Governor signs bill that lowers interest rate on state loan

The West Contra Costa Unified School District once again improved its state debt situation when Governor Gray Davis signed legislation on September 30 that will lower the interest rate on the district's state loan.

The change is expected to save the district about \$409,000 a year, or about \$6 million over the life of the loan, according to Hans Hamen, spokesman for Assemblywoman Loni Hancock. Ms. Hancock led the process for including the provision in AB 1266, the bill that the Governor signed into law.

State fiscal trustee Fred Stewart, who has been working to lower the state loan interest rate for more than a year, expressed gratitude that AB 1266 has become law. "I am very pleased that Governor Davis has agreed with us that the state should not benefit financially on the backs of this district and the children it serves," Dr. Stewart said.

The district's current interest rate of 5.692 percent is pegged to the 1993 state Pooled Money Investment Account (PMIA), when original repayment terms were set by legislation that year. Since then, market forces have driven the PMIA rate lower. Under the new law, West Contra Costa Unified may submit a request to the Department of Finance to change the interest rate to reflect the 2002-03 PMIA rate of 2.152 percent.

"We appreciate the Governor's signing of this important legislation," said Mr. Hamen. "When interest rates dropped, we asked: Why should the state continue to make money off the school district?" Mr. Hamen said. "So we decided to pursue this opportunity to refinance the district's loan like any other homeowner would."

Ms. Hancock approached the Governor's administration to convince them that the state should not benefit financially on the backs of West Contra Costa Unified students. "Loni argued that allowing the district to lower its interest rate was the right thing to do, and they agreed," Mr. Hamen said.

The anticipated lower interest rate is the most recent improvement made to the terms of the

district's loan. In October 1997, Assemblywoman Dion Aroner sponsored AB 437— eventually signed by Governor Pete Wilson— that eliminated balloon payments \$5.57 million every third year. The resulting schedule is the one that the district now follows, and provides for 20 annual payments of \$1.86 million beginning in February 1999. The remaining balance of \$18.4 million on the \$29.5 million loan will be paid off in February, 2018.

The lower interest rate is the most recent example of district efforts to save money. In August Dr. Stewart successfully negotiated with the State Controller's Office to allow the district to select its own independent auditor to conduct the next annual audit. The Controller's Office had been performing the audit since 1990-91. The change will save the district \$62,900 annually.

Superintendent Gloria Johnston sees the lower interest rate as more evidence that the district's hard work to maintain fiscal responsibility is bearing fruit. "The County Office of Education has rated our budget with a positive certification for the past 11 consecutive years," Dr. Johnston said. "Now, in what promises to be a challenging and tight budget year, we'll do our best to continue to improve student achievement while ensuring that every dollar is spent wisely."

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